Congress of the United States

House of Representatives

Dear Oregonian,

The potential impacts of climate change in Oregon, the U.S., and the world are of the utmost importance and we must take immediate and meaningful action to reduce greenhouse gas (GHG) emissions. I've added this "Climate Policy" resource to my webpage to help inform Oregonians about climate policy happening in Washington, D.C. and Salem. I will regularly update this page with links to relevant news articles, reports, congressional testimony and other resources that I hope you find useful in participating in this important debate.

Once you've embraced the science of global warming and its potential impacts, one can begin to discuss the actions needed to reduce GHG emissions. Three approaches are receiving the most attention to deal with climate change in the U.S. The most popular approach is a cap-and-trade system that creates a market to buy and trade pollution allowances. A second approach is a carbon tax that would levy a tax on GHGs at their sources. A third option is to reduce emissions through a regulatory approach, such as a cap and permit system.

In my opinion, a cap-and-trade system is prone to market manipulation and speculation without any guarantee of meaningful GHG emission reductions. A cap-and-trade has been operating in Europe for three years and is largely a failure. Nearly $60 billion worth of carbon allowances are traded every year, yet emissions on the continent continue to rise. Deregulation

of our electricity markets and the recent performance of financial markets around the world give me further cause for concern about using "the market" to solve a serious issue like climate change.

In comparison to a cap-and-trade, a carbon tax is a much more straight-forward approach. Many economists note a carbon tax is more efficient than a cap-and-trade since there is no market for speculators to manipulate. Further, revenues generated from a carbon tax could be channeled to consumers to help offset the costs of higher energy and commodity prices. Revenues could also be used to invest in energy efficiency, clean technologies, and adaptation projects.

Finally, a more old-fashion approach (but one that has served us well historically) would be through a regulatory scheme. In the 1970s we used the Clean Water Act to clean up our polluted rivers, lakes, and waterways with phenomenal success. The system works by establishing an emission reduction schedule and imposing stiff fines for those who do not meet their targets. This is the approach I prefer because it is a proven method for reducing pollution in the U.S.

A regulatory approach such as the Clean Water Act can be calibrated to meet the challenges of climate change. To this effect, I am a cosponsor of federal legislation called the Clean Environment and Stable Energy Market Act (H.R. 1683) introduced by Jim McDermott of Washington. This proposal would reduce GHG emissions by 80 percent by 2050 by requiring producers of GHG emissions to purchase pollution permits from the government. The price of these permits and a clear, predictable permit price schedule would be under the jurisdiction of the Treasury Secretary. Emissions would drop as the number of permits available is ratcheted down over time.

Importantly, this proposal would not allow for pollution permits to be traded or re-sold. The revenues raised by the government from selling the permits would be used to invest in energy efficiency, clean technology, and to assist low-income consumers. H.R. 1683 would avoid creating and regulating a new, complex energy market and relying on traders to set the cost for emitting climate-changing toxins into our atmosphere. This legislation also provides price certainty to consumers and industry, encourages investments in cleaner, more efficient technologies, and provides a more certain path to GHG emission reductions.

Climate change is real. Our actions must be swift but comprehensive, and efficient but

effective. A system that relies on an unregulated, market-based approach is too risky and unproven. That's why I believe we must begin to discuss viable alternatives to a cap-and-trade. Again, I hope you find these resources useful in your consideration of how Oregon and the U.S. should proceed with policies to combat climate change.

Sincerely,

Peter DeFazio
Member of Congress

Watch C ongressman DeFazio's speech at the Portland City Club "Cap-and-Trade: Can it Work?"

Read the Trascnipt of his remarks

News Articles:

Impact of 'Offsets' to Limit Emissions Is Uncertain

Published in the Wal Street Journal

Oregon congressmen split on climate bill

Published in the Oregonian

Cap-and-Profit: Europe's example is nothing to emulate, by Peter DeFazio

Published in the Eugene Weekly

The wrong road to reducing emissions , by Peter DeFazio

Published in The Oregonian

Under House energy bill, coal won't be going away , by Jim Tankersley

Published in the LA Times

Kyoto's Great Carbon Offset Swindle , by Patrick McCully _

Published by RenewableEnergy/World.com

In London's Financial World, Carbon Trading is the New Big Game , by James Kanter

Published in The *New York Times*. 6 July 2007

Carbon Hedge Fund to Launch in Early 2009, by Jame Pethokoukis

Published at Reuters.com

French Firm Cashes In Under U.N. Warming Program, by Charles Forelle

Published in the Wall Street Journal

Carbon Copy: Europe's Still Not Cutting Emissions

Published in Wall Street Journal

Enron Gave Cash to Democrats, Sought Pact help, by Jerry Seper _

Published in the Washington Times on 16 January 2002.

Enron Sought Global Warming Regulation, not Free Markets

Published in The Roanoke Times

New monthly record for European carbon derivatives market

Published by www.hedgeweek.com

Carbon Prices Tumble as Global Downturn Bites

Published in The New York Times

Kyoto Protocol ‘loophole' has cost $6 billion

Published by New Scientist Environment and Reuters

Laughing Gas: How to Game the Carbon Markets

Published in the Wall Street Journal

House Bill for a Carbon Tax to Cut Emissions Faces a Steep Climb

Published in The New York Times

Australia opens plant to test burial of CO2

Published in Seattle Daily Journal of Commerce

Reports/Government Resources:

Subprime Carbon? Re-Thinking the World's Largest New Derivatives Market

Published by Friends of the Earth

H.R.2454, the American Clean Energy and Security Act of 2009

Congressional Budget Office

A Realistic Policy On International Offsets , by Michael Wara and David Victor

World Bank: Climate Profiteer , by Janet Redman _

A Wrong-Turn From Rio: the World Bank's Road to Climate Catastrophe , by Daphne Wysham

Climate Bill Analysis, Part XII: CBO Report Projects Waxman-Markey Would Cut Cumulative Emissions by Just 2% by 2020 , by Jesse Jenkins

International Climate Change Programs, Lessons Learned From the European Union's Emissions Trading Scheme and the Kyoto Protocol's Clean Development Mechanism

Government Accountability Office; November, 2008.

Clean Air Markets, the Acid Rain Program

Published by the U.S. Environmental Protection Agency

The Role of Offsets in a Greenhouse Gas Emissions Cap-and-Trade Program: Potential Benefits and Concerns

Published by the Congressional Research Service

Regulating a Carbon Market: Issues Raised by the European Carbon and U.S. Sulfur Dioxide Allowance Markets

Published by the Congressional Research Service

Climate Change: Action by States to Address Greenhouse Gas Emissions

Published by the Congressional Research Service